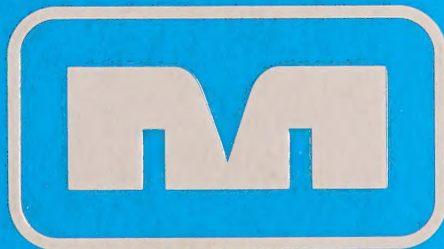


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**ROBERT MORSE
CORPORATION LIMITED**

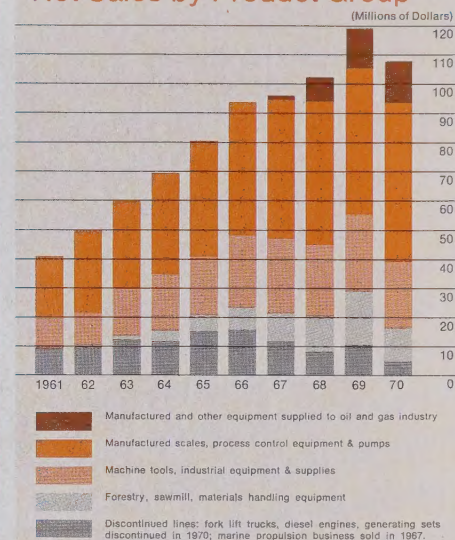
ANNUAL REPORT 1970



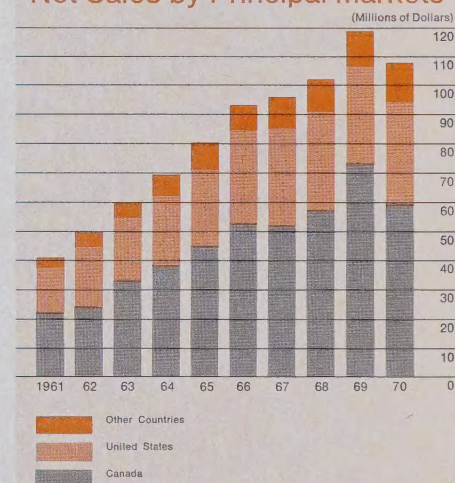
Summary

	1970	1969
Orders Booked	\$102,681,000	\$119,210,000
Net Sales	107,667,375	119,052,628
Backlog	27,046,000	32,032,000
Income Before Taxes and Extraordinary Items	2,157,822	3,685,278
Income Taxes	1,648,669	2,229,538
Income Before Extraordinary Items	509,153	1,455,740
Extraordinary Items	701,485	—
Net Income (Loss)	(192,332)	1,455,740
Earnings per Share:		
Before Extraordinary Items		
Class A	0.19	1.27
Class B	—	1.17
After Extraordinary Items		
Class A	(0.68)	1.27
Class B	(0.68)	1.17
Depreciation	1,106,421	1,046,393
Working Capital	13,574,956	16,692,865
Total Assets	58,508,095	62,884,591
Shareholders' Equity	18,476,946	20,062,142

Net Sales by Product Group



Net Sales by Principal Markets



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Directors and Officers	Inside back cover

To Our Shareholders

Continued strong progress by our important growth units, whose earnings were largely taxable, was offset in 1970 by the expense of eliminating certain unprofitable areas in our Canadian distribution business and correcting problems at Mid-Western Compressor Supplies Ltd. While these corrective programs were costly and without current tax offset, they provide the basis for higher future profits and a lower level of investment.

Consolidated net sales for the year were \$107,667,000, a decline of \$11,385,000 from 1969. This decline was entirely in Canadian distribution volume, as our manufacturing and service units had higher sales than in the previous year. The planned withdrawal from the lift truck and generator set businesses and the soft market for forestry equipment caused most of the sales decline.

Operating income before interest, depreciation, and income taxes, was \$5,410,000 compared with the previous year's record of \$6,778,000. Interest charges moved steadily upward until the fourth quarter when they levelled off and began trending downwards; our consolidated income tax rate was unusually high. Thus, consolidated net income from operations declined from \$1,456,000 to \$509,000, before extraordinary losses of \$701,000 directly attributable to discontinued lines, employee severance costs, sale of a gas processing plant, and reduced valuation of certain foreign assets caused by freeing the Canadian dollar. In point of fact our 1970 liquidation programs had an ad-

verse effect on the year's operating income beyond the extraordinary losses specifically identified as such.

The 1970 losses were mainly in the first half of the year, with the liquidation programs, normal seasonal factors, and a five-week strike at the Rutland plant of Howe Richardson Scale Company all contributing. Results improved progressively later in the year, and the fourth quarter was quite satisfactory with consolidated net profit before taxes of \$1,227,000, and \$612,000 after taxes (before non-recurring items of \$163,000) on sales of \$28,201,000. These fourth quarter results compare with a net profit of \$360,000 on consolidated sales of \$30,647,000 for the same period in 1969.

Contrasting with the corrective measures being taken in our distribution business, our manufacturing and service units continued to demonstrate their growth potential.

Howe Richardson Scale Company attained a new high level of sales in 1970 and, in spite of the disruptive effects of the strike, marked up a new net profit record. Some parts of the Company's business, such as heavy industrial scales, felt the effect of the receding U.S. economy, but its export business increased 17%, the field service facilities made a satisfactory gain, and the Company is progressively developing new industrial products and markets. Furthermore, as a recognized leader in the field of automated and computer-controlled systems for proportioning and weighing, Howe Richardson is en-

abling industry to meet the ever-rising costs of manpower and materials.

Johnston Pump Company is also gaining momentum in markets for pumps, fulfilling the purpose of the greater capacity and test facilities of its new plant in Glendora, California. Its advanced technology and capabilities have, in 1970, enabled the Company to obtain the largest pump orders in its history. These have included important projects in the fields of municipal water supply,



Robert Morse III

land reclamation, anti-pollution, conservation, power plants, gas and oil recovery, and general industry. Johnston entered 1971 with a record backlog, and early bookings in the new year continue ahead of last year. The Company is now moving into a volume of business which will result in greatly increased levels of operating efficiency and profit.

Cessco's business and earnings continue to grow with the Canadian oil and gas production industry. By steadily enlarging its capabilities, it is successfully maintaining its lead in serving the pipeline industry and in the production of gas processing equipment and pressure vessels. Heavy expenditures are planned by the oil and gas industry over the next several years to meet urgent continental demand and to provide increased protection for the environment.

Cessco is constantly advancing its technology to meet these requirements and to broaden its markets and looks forward to a period of high activity.

While now a division of the parent Company, Cessco's management and organization have not changed, and it again achieved record sales and profit in 1970.

The extent of losses incurred in correcting old problems at Mid-Western Compressor Supplies Ltd. far exceeded our original expectations. These are now behind us, however, and the new management of the Company has rebuilt its reputation among customers. Distribution of our Johnston pumps for the Western provinces has been added, and a profitable year is looked for in 1971.

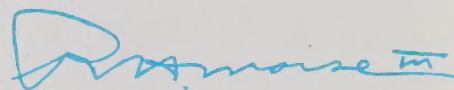
Our overseas subsidiaries made a strong contribution to earnings during the year. The British companies were particularly successful in both domestic and export business and expect another good year in 1971.

Several of our most profitable units are busy in areas of activity unaffected by the general business slowdown. In those areas more sensitive to conditions of recession, the actions taken to reduce break-

even points, although costly at the time, are proving to have been timely. Still further measures to lower investment and improve marketing efficiencies are underway. Interest expense in 1971 should be materially lower than in 1970, because of lower interest rates and lower borrowings.

The combination of all these factors, even in a period of economic uncertainty, encourages us to look for a return to reasonably satisfactory earnings in the current year and further substantial improvement in 1972.

On behalf of the Board of Directors,



President and Chief Executive Officer

April 8, 1971

Subsidiaries and Divisions



HOWE RICHARDSON SCALE COMPANY

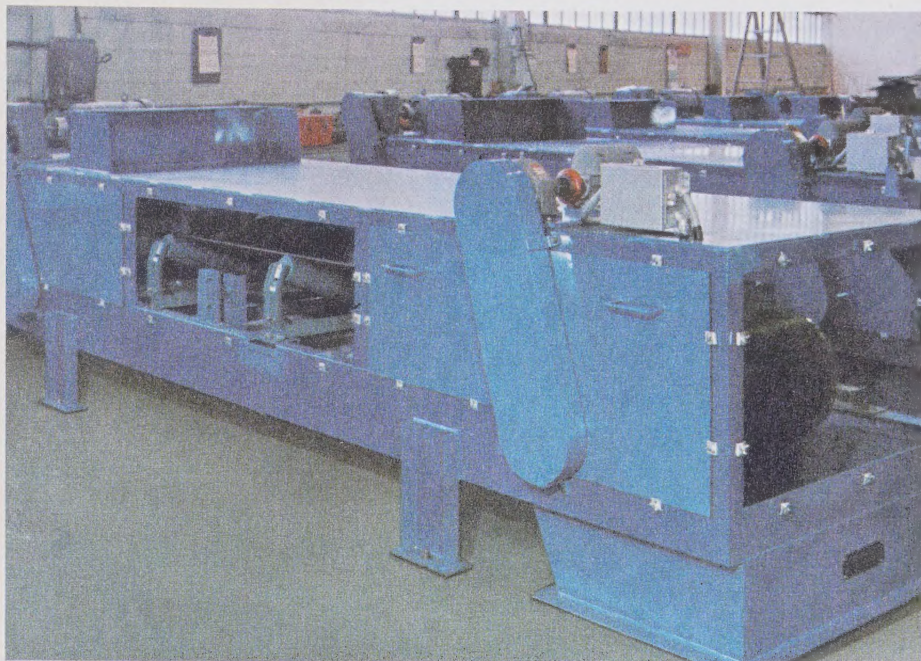
Sales and net profit reached new high levels in 1970 despite a five-week strike at the Rutland plant. The general decline in the U.S. economy was reflected in lower bookings in the second half of the year, particularly in heavy industrial scales. Export sales were up 17% in 1970 and are expected to continue strong in 1971.

The past year was marked by progress in every area of the Company's activity.

Penetration of the important state highway truck weighing market steadily increased. The speed and accuracy of these installations is gaining recognition as well as the flexibility of application of the Howe Richardson Digitronic Indicators, Accutronic full load cell scales and Super-Cast lever scales, available in almost any combination of standard platform sizes and scale capacities.

The grain shipping terminal market for Howe Richardson's solid state automatic hopper scales continued to develop successfully. Other substantial automated batching and processing systems were supplied to such national manufacturers as General Foods Corporation; Firestone Tire and Rubber Company; B. F. Goodrich Company; Quaker Oats and Gates Rubber Company.

To broaden and develop its place in the continuous weighing (weighing-in-motion) field, which has an excellent potential, Howe Richardson took over the ABC Scale Division of McDowell-Wellman Engineering in Cleveland, Ohio. All continuous weighing products and services have been combined at ABC.



The profitable field service facilities were further expanded in the past year.

A new line of bench and floor portable models has been developed and will be added to the light industrial scale products line in 1971.

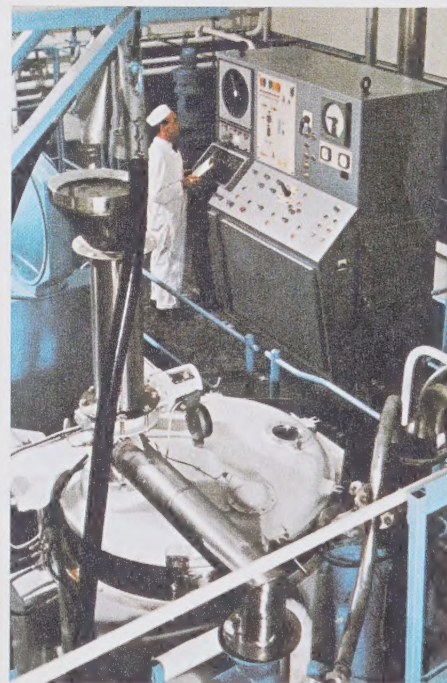
Marketing of standard products of the light industrial type, manufactured in Rutland, will be extended to the large dealer network that exists in the United States through a new distributor company, United Scales of America, Incorporated.

Use of mini-computers in the control of weighing systems will be introduced in 1971.

Notwithstanding some slowness anticipated in the first half of 1971, the Company looks for another good year.

Canadian Scale Division

A strong recovery was made from the previous year with earnings reaching the second highest level in the division's history. Sales were especially strong in specialized lines such as Magnaprint, a weighing and label printing system developed for newsprint manufac-



Top photograph shows a group of large conveyor scales (weighing-in-motion) manufactured by Howe Richardson's ABC Scale Division at Cleveland.

At the heart of an industry . . . Howe Richardson weighing and blending system used in manufacturing pastilles at one of England's largest pharmaceutical companies. The system was built and installed by the Nottingham subsidiary.

turers, and a new load cell log-weighing system designed for the forestry industry.

Overseas Operations

Howe Richardson Scale Co. Limited Nottingham, *England*, continued its fine performance by exceeding the previous year's record results in sales, profits and order bookings. Significant orders were received from the process industries, particularly the rubber industry, for automatic weighing systems. The plant has orders for this equipment stretching into mid 1972. One of the year's most interesting installations, a system for blending medicated pastilles, is shown in the photograph on page 3.

The subsidiary company, Midland Sheet Metal (Nottingham) Limited, also reported sales and profits well ahead of the previous year. A satisfactory year is anticipated for both Companies even though somewhat more difficult economic conditions are forecast in the U.K.

Sales of Richardson Scale Company (France) S.A. were moderately higher than those of 1969 but earnings remained at a low level.

Howe Richardson Scale (Africa) (Proprietary) Limited, *South Africa*, for the second consecutive year, had record sales and profit and looks for another successful year in 1971.

Howe Richardson Scale Co. Pty. Limited, *Australia*, reported modest increases in sales and order bookings. The Company anticipates increased profitable business in 1971 from the industrial and mining expansion of the country.

400 HP deep well turbine pump (upper photograph) providing irrigation at a large agricultural venture in California's San Joaquin Valley.

At right, scale working model of the planned pump installation for the City of Detroit's Lake Huron municipal water supply station.



JOHNSTON PUMP COMPANY

Johnston Pump Company's sales reached a new record level in 1970 and profits were ahead of the previous year. Order bookings were up almost 25% and the Company entered 1971 with the largest backlog in its history.

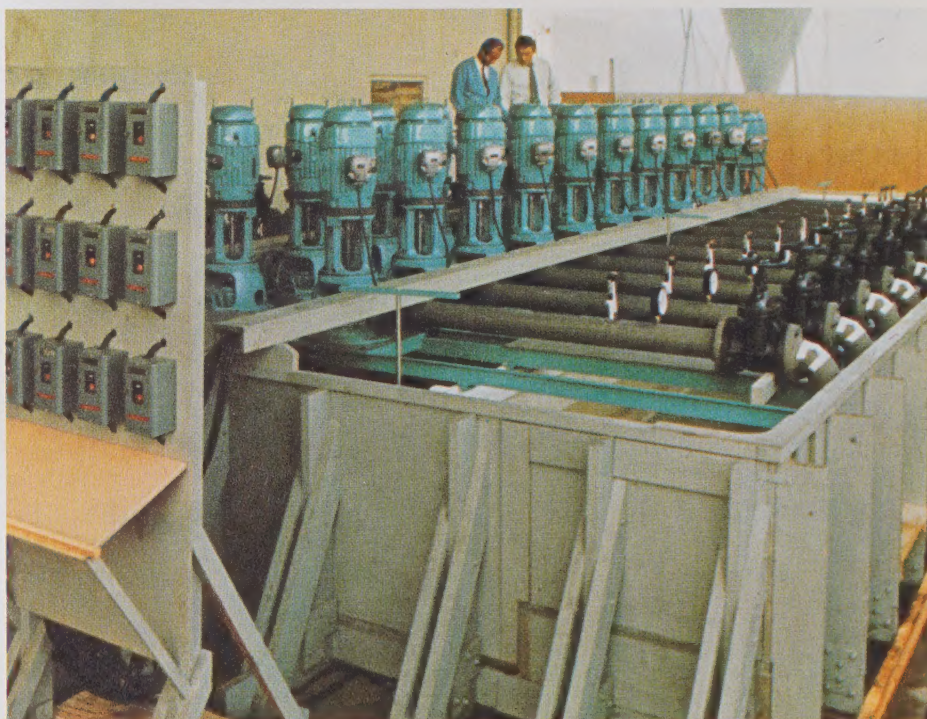
During 1970, the Company moved significantly further into the large pump field with a record order from the City of Detroit for five 5,500 HP turbine pumps of 42,000 gallons per minute capacity each, and three 900 HP turbine pumps, each with a capacity of 36,000 gallons per minute. An order was also received for eight large propeller pumps with total capacity of 1.3 million gallons per minute for the Greenriver Watershed project in the State of Washington.

Further major penetration of the important power plant market was made in 1970. Many pump orders were received for both fossil and nuclear fueled plants.

Successful achievement in these sophisticated areas is supported by expanded quality assurance capabilities. Qualified personnel, new equipment and advanced techniques have been developed to service these markets.

A further step in fulfilling these large and complex orders is the running of model tests of the sump structures in which the pumps will be installed. As an example, the

Continued on page 13



Consolidated Statement of Income

For the year ended December 31, 1970

	1970	1969
Net sales	<u>\$107,667,375</u>	<u>\$119,052,628</u>
Income from operations for the year, before the undernoted items	<u>\$ 5,410,350</u>	<u>\$ 6,778,148</u>
Interest (including \$404,857 on long-term debt)	2,145,322	2,062,061
Depreciation	1,106,421	1,046,393
Minority interest	785	(15,584)
	<u>3,252,528</u>	<u>3,092,870</u>
Income before taxes and extraordinary items	<u>2,157,822</u>	<u>3,685,278</u>
Income taxes	1,648,669	2,229,538
Income before extraordinary items (Note 4)	509,153	1,455,740
Extraordinary items (Note 3)	701,485	—
Net income (Loss) (Note 4)	<u>\$ (192,332)</u>	<u>\$ 1,455,740</u>

Consolidated Statement of Retained Earnings

Balance at beginning of year	\$ 9,149,536	\$ 9,001,454
Net income (Loss).	<u>(192,332)</u>	<u>1,455,740</u>
	8,957,204	10,457,194
Less: Payment of guarantee price in respect of share purchase warrant (Note 6)	<u>169,350</u>	<u>86,368</u>
	<u>8,787,854</u>	<u>10,370,826</u>
Dividends:		
Series A Preferred shares — \$2.75 (\$2.75 in 1969)	193,985	194,831
Series B Preferred shares — \$2.75 (\$2.75 in 1969)	198,000	198,000
Class A shares — \$1.00 (\$1.00 in 1969)	602,807	599,738
Class B shares — \$0.90 (\$0.90 in 1969)	228,722	228,721
	<u>1,223,514</u>	<u>1,221,290</u>
Balance at end of year	<u>\$ 7,564,340</u>	<u>\$ 9,149,536</u>

(See Notes to Financial Statements)

Consolidated Balance Sheet, December 31, 1970

Assets

CURRENT ASSETS:	1970	1969
Cash	\$ 684,848	\$ 997,197
Accounts and notes receivable	23,029,231	23,118,400
Income taxes recoverable	281,387	285,785
Inventories (at the lower of cost and net realizable value):		
Finished products, manufactured or purchased	14,474,486	16,879,188
Work-in-process	4,297,182	5,069,701
Raw materials and supplies	4,108,627	4,705,936
	<u>22,880,295</u>	<u>26,654,825</u>
Prepaid expenses	565,436	571,294
	<u>47,441,197</u>	<u>51,627,501</u>
FIXED ASSETS, at cost:		
Land	730,853	754,208
Buildings	5,291,848	4,989,927
Plant and equipment	11,408,267	11,127,904
	<u>17,430,968</u>	<u>16,872,039</u>
Less: Accumulated depreciation	8,470,721	7,721,600
	<u>8,960,247</u>	<u>9,150,439</u>
PREMIUM ON SHARES OF SUBSIDIARIES (at cost, less amounts written off).	2,106,651	2,106,651
	<u>\$58,508,095</u>	<u>\$62,884,591</u>

Approved by the Board:

R. H. Morse, III, Director

J. E. McQuilkin, Director

Liabilities

CURRENT LIABILITIES:	1970	1969
Bank indebtedness (secured \$4,059,454)	\$14,506,974	\$13,774,975
Notes payable	3,969,423	6,093,215
Trade and other accounts payable	12,241,747	13,302,149
Income and other taxes	1,028,501	1,245,735
Instalments on long-term debt (Note 5)	2,119,596	518,562
	<u>33,866,241</u>	<u>34,934,636</u>
DEFERRED INCOME TAXES	927,530	858,155
LONG-TERM DEBT (Note 5)	<u>5,173,218</u>	<u>6,966,283</u>
MINORITY INTEREST IN SUBSIDIARIES	<u>64,160</u>	<u>63,375</u>

Shareholders' Equity

CAPITAL STOCK (Note 6):

Authorized —

200,000 Preferred shares, of the par value of \$50
each, issuable in series

4,000,000 Class A shares without nominal or par value

2,000,000 Class B shares without nominal or par value

Issued —

5½% Cumulative Redeemable

Convertible Preferred Shares

70,540 Series A shares	3,527,000	3,527,000
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72,000 Series B shares	3,600,000	3,600,000
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Shares without nominal or par value

602,807 Class A shares	} 3,785,606	3,785,606
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254,135 Class B shares		
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	<u>10,912,606</u>	<u>10,912,606</u>
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RETAINED EARNINGS (Note 7)	7,564,340	9,149,536
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	<u>18,476,946</u>	<u>20,062,142</u>
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	<u>\$58,508,095</u>	<u>\$62,884,591</u>
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(See Notes to Financial Statements)

Statement of Source and Application of Funds

For the year ended December 31, 1970

	1970	1969
Funds provided —		
From operations:		
Net income before extraordinary items	\$ 509,153	\$ 1,455,740
Depreciation	1,106,421	1,046,393
Deferred income taxes	69,375	55,753
	<u>1,684,949</u>	<u>2,557,886</u>
Net loss from extraordinary items (Note 3)	<u>(701,485)</u>	<u>—</u>
Issue of capital stock:		
Shares without nominal or par value	—	81,824
Amounts received on conversion of preferred shares	—	8,925
	<u>—</u>	<u>90,749</u>
	<u>983,464</u>	<u>2,648,635</u>
Funds applied —		
Reduction of long-term debt	1,793,065	513,490
Dividends paid	1,223,514	1,221,290
Additions to fixed assets (net)	916,229	1,290,239
Payment of guarantee price in respect of share purchase warrant	169,350	86,368
Excess of purchase price of shares of subsidiaries over net assets acquired	—	(2,398)
Other	(785)	27,202
	<u>4,101,373</u>	<u>3,136,191</u>
Decrease in working capital	<u>\$ 3,117,909</u>	<u>\$ 487,556</u>

(See Notes to Financial Statements)

Notes to Consolidated Financial Statements December 31, 1970

1. BASIS OF CONSOLIDATION:

The consolidated financial statements include the accounts of Robert Morse Corporation Limited and those of all of its subsidiary companies.

Accounts of subsidiaries expressed in currencies other than Canadian have been translated into Canadian dollars at rates of exchange current at December 31, 1970 except (a) fixed assets, long-term liabilities and depreciation provision, at rates prevailing at dates of acquisition or issue, (b) deferred income taxes at rates prevailing at dates of origin and (c) income and expenses (other than depreciation) at the average rates of exchange in effect during the year.

2. REMUNERATION OF DIRECTORS AND OFFICERS:

The Company has twelve directors, two of whom were replaced during 1970. Their aggregate remuneration as directors in 1970 amounted to \$11,711. The Company has eleven officers, one of whom was replaced during the year. Their aggregate remuneration as officers during 1970 amounted to \$421,025. Eight of the present officers are also directors.

3. EXTRAORDINARY ITEMS:

The extraordinary items consist of the following:

Cost of discontinuance of the lift truck and generator set businesses	\$367,389
Loss on withdrawal from a long-term gas processing venture of Mid-Western Compressor Supplies Ltd.	233,405
Net loss on foreign exchange resulting from the revaluation of the Canadian dollar	136,645
Final adjustment of gain on sale of marine propulsion business (sold in 1967 at a price subject to adjustment on completion of contracts)	(35,954)
	<u>\$701,485</u>

4. EARNINGS PER SHARE:

	1970	1969
	Before Extraordinary Items	Net Income For Year
Class A	\$ 0.19	\$ (0.68)
Class B	\$ —	\$ (0.68)

There would be no significant dilution in earnings per share if all conversion and option privileges described in Note 6 were exercised.

5. LONG-TERM DEBT:

	1970	1969
Note* payable in semiannual instalments of US \$91,386 to 1990 (effective interest rate 5.15%)	\$ 2,537,012	\$ 2,617,552
Note* payable in semiannual instalments of US \$126,183 to 1975 (effective interest rate 5.15%)	1,185,376	1,406,987
6% Subordinated Debentures* US \$1,500,000 due in 1971	1,515,000	1,570,305
6½ % Mortgage loan* payable quarterly to 1987	1,485,527	1,528,696
6% Subordinated Serial Notes* payable US \$68,893 annually to 1972	69,582	146,181
Other term obligations, payable over periods varying from one to three years	500,317	215,124
	<u>7,292,814</u>	<u>7,484,845</u>
Less: Amounts due within one year, included with current liabilities	2,119,596	518,562
	<u>\$ 5,173,218</u>	<u>\$ 6,966,283</u>

* Debentures, loans and notes secured by collateral mortgages or trust deeds against fixed assets.

6. CAPITAL STOCK:

(a) Preferred Shares:

The 5½ % Cumulative Redeemable Convertible Preferred shares are redeemable at any time, at the Company's option, at par.

(b) Class A Shares:

The holders of Class A shares are entitled to a cumulative annual dividend of 70¢ per share and to participate equally in further amounts per share after payment of a non-cumulative dividend of 60¢ per share on Class B shares. The Class A shares are non-voting unless arrears of cumulative dividends aggregate \$1.40 per share.

The Company may purchase for cancellation any or all of the outstanding Class A shares by invitation for tenders addressed to all holders or in the open market, after having notified vendors that the Company is the purchaser.

(c) Conversion Privileges and Warrant:

(i) The conversion privilege attached to the Series A Preferred shares entitles the holders thereof to convert each Preferred share at any time into 2½ Class A shares upon payment to the Company of \$7.50 for each Preferred share converted.

(ii) The conversion privilege attached to the Series B Preferred shares entitles the holders thereof to convert each Preferred share at any time into 2 Class A shares upon payment to the Company of \$2.00 for each Preferred share converted.

(iii) In 1962 the Company issued a Warrant, exercisable to December 31, 1971, for the purchase of up to 150,000 Class A shares of the Company at a price of US \$10 per share. In 1968 the terms of this Warrant were amended so as to provide for the annual exercise of the rights under the Warrant, commencing in 1969, to the extent of 2% of the aggregate number of Class A and Class B shares outstanding at the previous year end. In consideration for the amendment of the Warrant, the Company has given its original holder a non-transferable guarantee of a net price, upon sale or

transfer of any part of the Warrant, equal to not less than the difference between \$20 Canadian and the Canadian equivalent of US \$10 per share. In 1970 rights with respect to 17,139 Class A shares were cancelled upon payment by the Company to the holder of the Warrant of \$169,350 representing the guaranteed price with respect to such shares. This payment has been charged to retained earnings. To December 31, 1970 rights with respect to 34,066 Class A shares have been exercised or cancelled and, in accordance with the provisions of the Warrant, 17,139 Class A shares will be issued in 1971 or rights to such shares not issued will be cancelled upon payment of the guarantee.

(d) Reservation of Shares:

Class A shares are reserved as follows:

For conversion privilege attached to Series A Preferred shares	176,350
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For conversion privilege attached to Series B Preferred shares	144,000
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For Warrant issued in 1962 exercis- able at US \$10 per share	115,934
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For issue to Trustees of the Com- pany's Stock Purchase Plan at a price to be determined at date of issue	5,000
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For an option granted in 1968 to an officer of a subsidiary exercisable at \$18 per share to February 15, 1973	3,000
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For an option granted in 1970 to an officer of a subsidiary exercisable at \$15 per share to November 14, 1975	3,000
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447,284

7. RETAINED EARNINGS:

The provisions attached to the Series A and Series B Preferred shares restrict to \$2,317,151 the amount of retained earnings as at December 31, 1970 available for payment of dividends on Class A and Class B shares, for purchase for cancellation of Class A shares or for payment of tax on undistributed income under Section 105 of the Income Tax Act.

8. COMMITMENTS AND CONTINGENCIES:

- (a) For conditional sales contracts discounted \$5,632,000.
- (b) For lease rentals aggregating \$548,000 annually, the major portion being for periods extending from three to twenty years.
- (c) Two United States subsidiaries have received notices of proposed income tax deficiencies amounting to US \$1,147,000 for the years 1964-68 inclusive. The proposed deficiencies are being

vigorously contested in the United States Tax Courts. Similar items are present in the years 1969-70.

There is no way of determining the liability, if any, under these proposed deficiencies at this time, or the amount of any relief from Canadian taxation which may be available to the parent company if any portion of the proposed deficiencies is upheld. No provision has therefore been made in the accompanying financial statements for additional liabilities, if any, which may arise in respect of the years 1964-70 inclusive.

Auditors' Report

To The Shareholders of Robert Morse Corporation Limited

We have examined the consolidated balance sheet of Robert Morse Corporation Limited and subsidiary companies as at December 31, 1970 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination of the financial statements of Robert Morse Corporation Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

Subject to the final determination of the possible additional liabilities for income taxes referred to in Note 8, in our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.
Chartered Accountants

Montreal, February 26, 1971

Robert Morse Corporation Limited and Subsidiary Companies

Ten-Year Review

	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961
OPERATING RESULTS										
Net Sales	\$107,667,000	\$119,053,000	\$101,960,000	\$95,574,000	\$93,280,000	\$80,359,000	\$59,422,000	\$60,114,000	\$50,408,000	\$43,170,000
Income (Loss) before Taxes	2,158,000	3,685,000	2,890,000	3,209,300	3,577,000	2,558,000	1,618,000	1,138,000	(98,000)	(1,100,000)
Income Taxes	1,649,000	2,229,000	1,522,000	1,396,000	1,633,000	1,011,000	336,000	136,000	(121,000)	84,000
Income (Loss) before Extraordinary Items	509,000	1,456,000	1,368,000	1,813,000	1,944,000	1,547,000	1,282,000	1,002,000	23,000	(1,184,000)
Net Income (Loss)	(192,000)	1,456,000	2,068,000	2,433,000	1,944,000	1,547,000	1,282,000	1,002,000	23,000	(1,184,000)
Preferred Share Dividends	392,000	393,000	395,000	321,000	124,000	—	—	—	—	—
Class A and B Share Dividends	832,000	828,000	817,000	762,000	643,000	531,000	624,000	200,000	275,000	499,000
Depreciation	1,106,000	1,046,000	934,000	736,000	620,000	602,000	596,000	539,000	488,000	492,000
Funds Provided from Operations	1,685,000	2,558,000	2,218,000	2,705,000	2,564,000	2,150,000	1,878,000	1,541,000	511,000	(692,000)
FINANCIAL POSITION										
Working Capital	13,575,000	16,693,000	17,180,000	19,730,000	14,351,000	11,724,000	6,098,000	6,293,000	6,428,000	4,026,000
Total Assets	58,508,000	62,885,000	61,226,000	52,148,000	48,990,000	41,005,000	36,511,000	30,377,000	25,842,000	21,549,000
Long-Term Debt	5,173,000	6,966,000	7,480,000	8,149,000	6,941,000	7,556,000	2,990,000	3,522,000	3,539,000	754,000
Shareholders' Equity	18,477,000	20,062,000	19,983,000	19,208,000	13,636,000	8,999,000	8,062,000	7,330,000	6,528,000	6,826,000
SHAREHOLDER INFORMATION										
Per Share										
Earnings (Loss)	— Class A	0.19(a)(0.68)(b)	1.27	1.18(a)2.01(b)	1.87(a)2.64(b)	2.35	1.73	1.37	0.05	(1.58)
	— Class B	— (a)(0.68)(b)	1.17	1.08(a)1.91(b)	1.77(a)2.54(b)	2.25	1.63	1.27	—	(1.58)
Dividends	— Preferred A	2.75	2.75	2.75	2.75	1.72½	—	—	—	—
	— Preferred B	2.75	2.75	1.71½	—	—	—	—	—	—
	— Class A	1.00	1.00	0.97½	0.85	0.72½	1.22½	0.40	0.47½	0.70
	— Class B	0.90	0.90	0.87½	0.75	0.62½	—	—	0.15	0.60
Shareholders' Equity — Class A and B	13.24	15.09	15.12	14.29	12.65	11.58	10.55	9.79	8.72	9.11
Average Shares Outstanding										
Class A	603,000	599,000	589,000	557,000	531,000	517,000	506,000	499,000	499,000	499,000
Class B	254,000	254,000	254,000	254,000	254,000	250,000	250,000	250,000	250,000	250,000

(a) excluding extraordinary items
(b) including extraordinary items

Subsidiaries and Divisions

JOHNSTON PUMP COMPANY

(continued)

City of Detroit project involved duplicating the ultimate projected installation of twenty 5,500 HP pump units to a model scale of 11:1 so that hydraulic flow patterns could be studied to eliminate objectionable turbulence and vortexing. (See photograph on page 4).

Technological development is a continuous process at Johnston. New pumps for the industrial field are presently being designed to provide optimum efficiencies under frequently encountered adverse suction conditions. New high performance units for use in municipal and agricultural applications are also being developed.

Export sales were at a record high in 1970. Significantly large orders were received from Colombia, Guatemala, Libya, Egypt and Korea and an important installation was made for the water supply of Ibadan,

Nigeria. With its large backlog, a growing volume of orders, and an improving economic trend in its markets, the Company is looking for further good gains in sales and profits in 1971.

Johnston Howe de Mexico S.A. de C.V.

This subsidiary has moved to new, larger facilities in Mexico City. Sales were at record levels with a significant increase in the Company's pump business. The new plant is expected to provide improved manufacturing facilities particularly for scales. Although a somewhat slow start is anticipated in 1971, Johnston Howe looks forward to another year of growth.

One of Cessco's large pipeline bending machines operating on a major pipeline construction project.



CESSCO

**(Canadian Equipment Sales
& Service Co. Ltd.)**

Cessco again set new sales and earnings records in 1970. The oil and gas industry and pipeline construction continued active and further progress was made in broadening service to other markets. While it has operated as a division of the parent Company since May 1970, Cessco continues to function as an entirely separate unit with the same management and personnel.

During the year, the Pipeline Department added a variety of equipment to maintain its leading position as a supplier to the pipelines. These



included importation into Canada of the first machine capable of cold-bending 42 inch steel pipe and tapping and stopple equipment sold to plug 34 inch pipelines for maintenance purposes or during emergency breaks.

An automatic welding system offering considerable savings to the pipeline contractor is now available.

This Department was also increasingly active in supplying plastic pipe to municipal and commercial markets. Among the larger contracts was a record installation of 6 and 8 inch PVC pipe for a sewage force main; an all-plastic municipal water distribution system; 12 inch pipe for a viaduct; piping for acid waste systems in universities, hospitals, schools and industrial laboratories.

The Manufacturing Department had a record year fabricating steel liners, pressure vessels, storage tanks, towers and smoke stacks. Four large steel liners ranging in height from 410 to 510 feet and 21 feet in diameter were erected by the field crews. Four large diameter storage tanks were erected in the North West Territories. The stress relieving furnace has been kept busy and new machine drilling and welding equipment has been added. Some slowness is expected in the first part of 1971 with renewed activity in the second half.

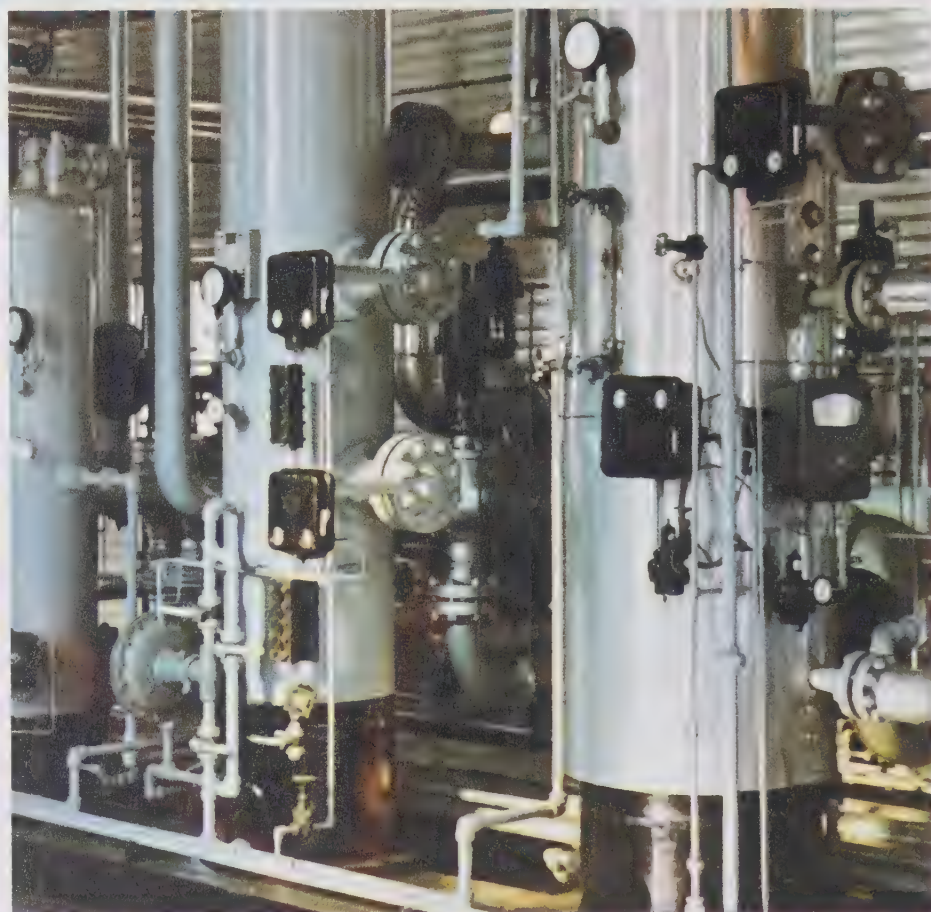
The Production Equipment Department also had a busy year. It is successfully meeting a continually rising demand for processing plants of advanced automated designs with emphasis on safety and pollution control. The new products group is fulfilling the ever-increasing demand for natural gas wellhead heating by designing the largest natural gas field heaters in use today.

The Department looks forward to its best year in 1971 when the petroleum industry plans to spend \$218,000,000 on new gas processing plants. In addition measures to protect the environment will call for the development of new technology and equipment for disposal and cleaning of plant waste products.

MID-WESTERN COMPRESSOR SUPPLIES LTD.

Mid-Western underwent a major reorganization in 1970 while, at the same time, disengaging from a long-term gas processing venture and making very costly warranty corrections in compressor installations contracted by former management. With these difficulties behind it, the Company goes into 1971

Instrument section of a fully automated gas processing plant built by Cessco.



capable of providing first quality services in the gas compressor field. In addition, it now distributes and services Johnston pumps in British Columbia, Alberta and Saskatchewan where it is well positioned to reach the oil and gas industry. Several major pump installations have already been booked for propane injection applications in which plunger-type pumps have been used previously. A strong sales force is being built up and steady growth is expected.

ROBERT MORSE APPLIANCES LIMITED

In a year of planned consolidation of its marketing area, sales of this appliance distributing Company operating in Alberta were maintained at a satisfactory level. Earnings were temporarily reduced by credit write-offs in withdrawing from Saskatchewan. The Company has an excellent group of lines and looks forward to a good year in 1971.

CANADIAN DISTRIBUTION BUSINESS

Machine Tools and Industrial Equipment

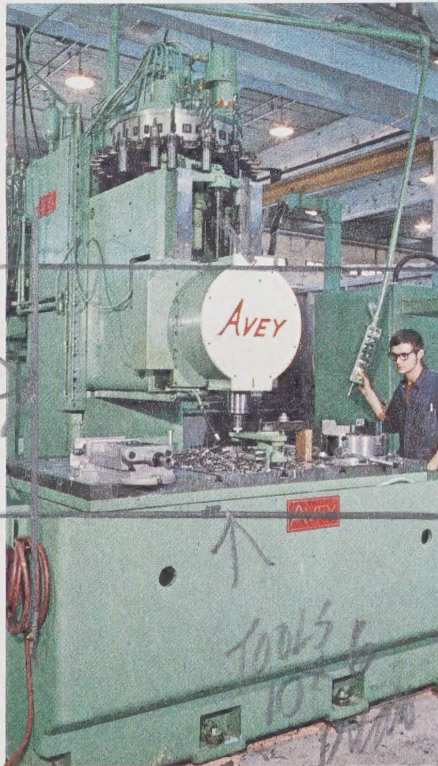
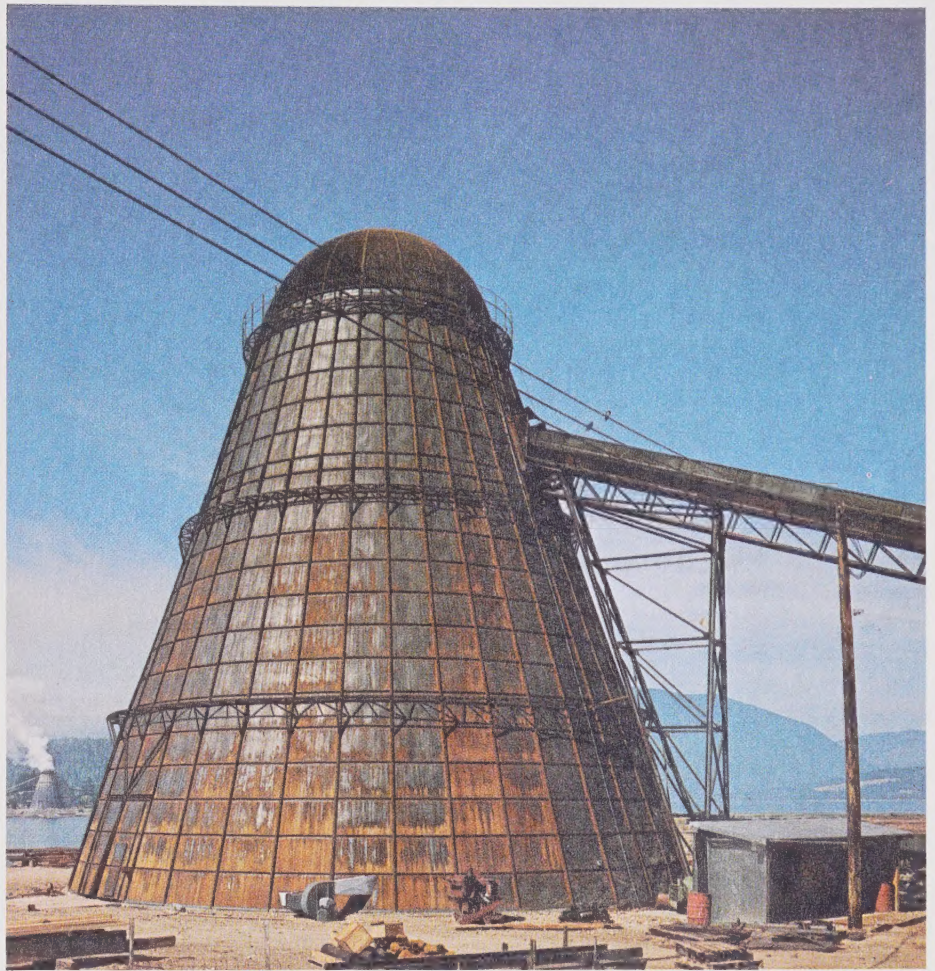
Machine tool sales and profits in 1970 were somewhat below the previous year's record level, but generally shipments appear to have held up well in comparison with the national average. While the outlook for 1971 is closely tied to the extent of recovery in the general economy, early bookings are showing an encouraging improvement from a year ago and the activity is broadly based.

The industrial equipment and supplies business also was at a level moderately below that of 1969, both in volume and earnings. Power transmission equipment and carbide tooling stood out with good sales increases but in most lines demand was significantly affected by strikes and other factors reducing plant activities. An improvement in this steady business is looked for as the year progresses.

Our Canadian pump business was reorganized in 1970 in order to reach and serve our various markets more effectively. While sales for the year were down slightly, a broader range of customers is now being reached. Our Johnston pumps are being very well received by industry, hydro-electric utilities, towns, municipalities and primary resource industries.

Forestry Equipment

Sales of forestry equipment in Eastern Canada were sharply reduced in 1970 by the deferment of buying by the pulp and paper industry. The British Columbia forestry industry was severely affected by labour disputes, disruption of lumber prices and unsettled markets generally. The result was a sharp drop in sales and a resultant loss of income.



*Smokeless Rees burner (top photograph)
manufactured by Galbraith & Sulley
for a sawmill at Canoe, B.C.
Antipollution controls are at lower right.*

*Right, tape controlled machining centre
installed at Can Car plant in Vancouver*

While little improvement is looked for in the important pulp and paper market in the first quarter of 1971, a gradual resumption of buying activity is anticipated during the year as the need increases to replace worn-out equipment. In the meantime, there is a higher than usual turnover in replacement parts.

An important new addition to the tree-harvesting line, the Volvo Grapple Forwarder, has excellent sales potential and the initial reception is encouraging.

Galbraith & Sulley Sawmill Equipment

The situation in British Columbia was partially relieved by a good level of activity in the installation of sawmill and related equipment such as kilns, anti-pollution refuse burners and log scales.

Organization

HOWE RICHARDSON SCALE COMPANY,

Clifton, New Jersey.

Walter M. Young, *President*

John W. Aquadro, *Vice President, Systems*

Arthur J. Burke, *Vice President, Engineering*

Gerald J. Devine, *Vice President, Midwest Region*

John G. Fenton, *Senior Vice President, Rutland, Vt.*

Joseph Giner, *Vice President, Sales*

William L. Hamilton, *Vice President*

Robert E. Hess, *Vice President & General Manager, ABC Scale Division*

Russell J. Pederson, *Vice President, Finance*

John R. Szogyen, *Vice President, Operations*

George D. Wilkinson, *Vice President, National Service*

CANADIAN SCALE DIVISION, Mackey Automation and Controls Ltd.

Montreal, Quebec.

Fred J. Benoit, *General Manager*

HOWE RICHARDSON SCALE CO. LIMITED,

Midland Sheet Metal Works (Nottingham), Ltd.,

Nottingham, England.

T. Alan Shore, *Managing Director*

HOWE RICHARDSON SCALE (AFRICA) (PROPRIETARY) LIMITED,

Johannesburg, South Africa.

George Oliver, *Managing Director*

RICHARDSON SCALE COMPANY (FRANCE) S.A.,

Paris, France.

Alphonse Dingemans, *President & Managing Director*

HOWE RICHARDSON SCALE CO. PTY. LIMITED,

Broadmeadow, Australia.

John James, *Managing Director*

JOHNSTON PUMP COMPANY, Glendora, California.

Donald A. Johnson, *President & General Manager*

John R. Mapel, *Senior Vice President*

George C. Fee, *Vice President, Manufacturing*

William S. Thomas, *Vice President & Controller*

JOHNSTON HOWE DE MEXICO S.A. DE C.V.,

Mexico City, Mexico.

Salvador Madero, Jr., *President*

CANADIAN EQUIPMENT SALES & SERVICE CO. LTD.,

Edmonton, Alberta.

William Suter, *President*

CESSCO DIVISION, Edmonton, Alberta.

William Suter, *Vice President*

Lawrence Wenger, *General Manager, Pipeline*

Don W. Rushton, *General Manager, Production Equipment*

Herbert Bear, *General Manager, Manufacturing*

MID-WESTERN COMPRESSOR SUPPLIES LTD.,

MID-WESTERN MACHINE WORKS LTD.,

Calgary, Alberta.

William Suter, *President*

Noel R. Bambrough, *General Manager*

ROBERT MORSE APPLIANCES LIMITED,

Edmonton, Alberta.

William L. Foote, *Executive Vice President*

CANADIAN DISTRIBUTION DIVISION,

Montreal, Quebec.

Walter S. Pierce, *Vice President & General Manager*

Machine Tools & Industrial Equipment

Meredith S. Hayes, *Vice President & General Manager*

Forestry Equipment

Arnold R. Tunis, *General Manager, Eastern*

George P. Clarke, *General Manager, Pacific*

Galbraith & Sulley

Sawmill Equipment,

Vancouver, B.C.

George P. Clarke, *General Manager*

Atlantic Region,

J. Rees Alverson, *General Manager*

Central Region,

Allen L. Matthews, *General Manager*

Prairie Region,

Cyril H. Gibson, *General Manager*

Pacific Region,

George P. Clarke, *General Manager*

Plants

Montreal, Quebec

Edmonton, Alberta

Calgary, Alberta

Vancouver, B.C.

Clifton, New Jersey

Cleveland, Ohio

Minneapolis, Minnesota

Glendora, California

Southgate, California

Rutland, Vermont

Mexico City, Mexico

Nottingham, England

Paris, France

Broadmeadow, Australia

Johannesburg, South Africa

Sales Offices and Warehouses

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Chicoutimi

Edmonton

Grande Prairie

Halifax

Hamilton

Kamloops

Kitchener

London

Montreal

Ottawa

Prince George

Quebec

Regina

Rouyn

St. Catharines

Saint John

St. John's

Saskatoon

Thunder Bay

Toronto

Vancouver

Windsor

Winnipeg

U.S.

Albany

Atlanta

Baltimore

Birmingham

Boston

Buffalo

Burlingame

Charlotte

Chicago

Cincinnati

Cleveland

Clifton

Dallas

Denver

Des Moines

Detroit

Evansville

Fresno

Glendora

Goodland

Hartford

Houston

Idaho Falls

Jackson

Jacksonville

Kansas City

Lake Charles

Los Angeles

Memphis

Milwaukee

Minneapolis

Newark

New Orleans

New York

Omaha

Philadelphia

Pittsburgh

Portland

Poughkeepsie

Richmond

St. Louis

San Francisco

Seattle

Spokane

Tampa

Trenton

West Palm Beach

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Vice President, Cessco Division,
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Counsel and Secretary, Montreal

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Vice President,
Robert Morse Corporation

Walter M. Young
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William Suter
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General Counsel and Secretary

L. Allan Weom
Vice President

Walter M. Young
Vice President

Walter S. Pierce
Vice President and
Assistant Secretary

G. Samuel Carpenter
Comptroller and
Assistant Secretary

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Montreal 102, Canada

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Price Waterhouse & Co., Montreal

TRANSFER AGENTS:

The Royal Trust Company
The First National
Bank of Chicago

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The Royal Bank of Canada
First National City Bank
New Jersey Bank and Trust Co.
Continental Illinois National Bank
and Trust Company of Chicago.

MANUFACTURERS OF:

Process control systems
Scales and weighing systems
Packaging equipment
Bulk handling equipment
Control panels
Vertical irrigation and industrial pumps
Propeller and mixed flow pumps
Specialized equipment for the oil
and gas industry
Sawmill machinery

CANADIAN DISTRIBUTORS OF:

Machine tools and metalworking machinery
Industrial equipment and supplies
Textile machinery
Industrial pumps
Forestry equipment
Gas compressors



**ROBERT MORSE
CORPORATION LIMITED**

A Canadian Company with subsidiaries in Canada, the U.S. and abroad.